ECONOMIC AND SOCIAL DEVELOPMENT IN THE MICRO-STATE

NELSON OUDER

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I. Definition of the Micro-State

One salient feature of the concept "micro-state" is the fact that there is no generally accepted definition of the concept. The relevant literature on the subject seems to concur on only one point, namely that there is no generally accepted definition of the micro-state.

A Seminar held by the Institute of Commonwealth Studies in London in 1962 came to the conclusion that there is no uniform description of the concept "limited size". Geographic extension, population, and economic potential are all elements which interact here, but not all of them have to be present to qualify for the term "micro-state".
The definitional problem seems to be where to set the upper and lower limits for a state to be classified as a micro-state. This question can never be answered in an absolute sense; therefore we should not be surprised to find that the above-mentioned seminar reached the conclusion: smallness is a comparative, and not an absolute idea.

No matter how difficult it may seem to give a definition of the micro-state, there are some societies which clearly can be called micro-states.
This holds for their geographic extension, their population size, as well as their economic and political potential.
The Netherlands Antilles can very clearly be classified as "micro-states".
Not only are they micro-states; they have a futher characteristic, namely that of being island economies, with all the implications thereof.

II. Characteristics of the Micro-State

There are certain characteristics that are common to most micro-states.
Without attemting to be exhaustive, Y would like to mention some of these characteristics.

In general, micro-states are characterized by small, open economies.
As such, there is a very large dependence on foreign trade. In addition, because of its limited geographic size, a micro-state is characterized by a rather limited range of natural resources.
Also, the size of its domestic market is usually small, and hence the micro-state normally experiences particular difficulties in the development of import substitution industries.

In the field of manpower, the micro-state is likely to encounter difficulties in developing and retaining its own skilled manpower and in providing jobs for those skills which are available.

Because of the fact that the micro-state has characteristics and problems which are not common to a continental-type closed economy, its problems also need special solutions. Hence, current macro-economic theory (John Maynard Keynes, Milton Friedman) is difficult to apply. W.G. Demas states in his work "The Economics of Development with Special Reference to the Caribbean:

> "... it is important for the student and the policy-maker alike to differentiate sharply between the growth process in a large closed economy and in a small open economy".

If we look at our own region, we find that the islands of the Caribbean can all be described as small, open economies. Few of them possess their own energy resources. Some of the islands have a basically one-crop economy, while other, like Aruba, produce virtually nothing and depend on tourism and foreign industries.

These micro-states face three basic economic problems. First of all, domestic production has to be carried out in the field of products the production of which is not subject to economies of scale. Where economies of scale enter into the picture, it is clear that countries having a large home market are decidedly in a more advantageous position.

Secondly, microstates are by necessity price takers rather than price makers in the international market. Their own total demand and supply is so insignificant in comparison to total world demand and supply that decisions taken by the micro-state will have no influence on world market price.

Thirdly, the micro-state is faced with the danger that one single large enterprise can have an exceedingly large influence on the local economy and on employment. A case in point is that of the oil refinery on Aruba. Although the relative importance in our total economic picture has been decreasing (mainly due to the upsurge of our tourist industry), decisions taken by that company can have far-reaching effects on the economy of the island.

Because of its realtive importance, there exists a real danger that one single company can exercise undue influence on the local government and hence on government decisions. In Aruba, the relations between that company and the islands government have always been excellent. The possibility does exist, however, that what is in the company's interest may not always be in the general interest of the island.

From the above, it is evident that having being small brings with it problems of its own. These problems, however, should not be exaggerated. There is little evidence that small countries are in general any poorer than large ones, and that they have a slower rate of growth, or that their people suffer from over-all net disadvantages. But the small size of a country and its consequences may be a major constraint on the range of options available to meet social and economic problems.

III. Viability of Small Economies.

This brings us to the point of viability in the micro-state.
The term viability itself is an elusive concept, and possibly the only test of a country's viability is that it continues to survive as a separate entity, and that its people are able to make a living which they consider acceptable - or at least not so unacceptable as to compel them to go elsewhere.
It is obvious that one way of overcoming at least part of the problem of small size - and hence of increasing the viability of the micro-state - is through international cooperation, and, more specifically, through regional cooperation.

In our specific region, the micro-states have to look to Latin America. The latter offers an enormous market for goods and services, but it is virtually closed for third countries. Under the influence of the philosophy of the Economic Commision for Latin America (ECLA), these countries have tried to develop their own industry by closing their borders for foreign products. By developing their own industries, Latin American countries wanted to reduce imports (and hence, dependence) from the United States, Europe, and Japan. The result was, however, that the closing of the Latin American borders made the Caribbean countries more dependent than ever on the United States and Western Europe, for their goods could no longer be exported to Latin America. The Iatin American countries should realize that impoverished islands in their backyard lead to political and social instability.

There have been attempts at regional integration in Latin America. Examples are the Latin American Free Trade Association (LAFTA), the Central American Common Market (CACM), and the Andes Pact. These attempts at regional integration have not been open to Caribbean island. It is my belief that Latin American economic policy should take the position that Caribbean islands can fully participate in the Latin American regional markets. This participation should not only be limited to product export, but should include export of services as well. The historic transit function of the Caribbean islands to Latin America should be recreated. An open-door policy can stimulate the intermediary function between Europe and Latin America. The importance of regionalcooperation for the micro-state can perhaps best be illustrated by the following conclusion which Demas arrives at in his already-mentioned work:

> "....fully self-sustaining growth is possible only in a very large - in terms of both area and population - continental - type economy."

One can conclude that small island economies will remain, to a large extent, dependent on the outside world and that a very dynamic and realistic policy will be needed to use this dependency to one's own advantage. The growth of the islands economy depends to a large extent on decisions taken abroad on which the island itself can exert no influence.

IV: Social and political Implications of the Micro-State.

One of the most social implications of a small islands economy is the fact that social relationships are very often based on personal ties. Personal relationships are more important than business and functional ties, and the former tend to dominate. In the micro-state, it is often very difficult to treat everyone impartially. Business and or/political conflicts very easily develop into personal conflicts. Even small problems are widely discussed on radio and television. In some cases, this results in irrational decisions or in the escalation of personal difference even with major political effects.

In the political field, too, micro-states are very sensitive. Even though, formally, micro-states do participate internationally in the decision-making process where the population size of the member state is irrelevant (e.g., United Nations), there is no denying that even here we have political pressure by the bigger states on the smaller states.

As far as internal political developments are concerned, it is clear that external politics do exert an influence on internal developments. Internal political developments are, moreover, influenced by the social implications of limited size. Political decisions in every small community can easily be influenced by kin, friendship, party loyalty, etc., rather than by objective political motives. Limited size apparently also promotes strong social control in the political fields, thus limiting the scope of governmental action even further.
What are the implications of all the foregoing remarks for the Democratic-Socialist International Movement ?

Our party, which is celebrating its tenth anniversary this year, has become a consultative member of the Democratic-Socialist International Movement. This choice is not purely a political one; it also has definite implications for our economic development, which should be geared to the creation of equal chances, especially for the lower classes. Social democracy advocates a leading role for the state in the economic development of a country. This does not mean the creation of state capitalism, state bureaucracy, or a dogmatic approach towards private enterprise. Social democracy does not provide a clear recipe for a country on the road to optimal welfare for its population. Such a recipe does not exist in the complex political and economic conditions prevailing in Latin America. We will have to develop our own recipe for economic development. In trying to develop this however, we are faced with certain constraints that are inherent in our being a micro-state. Our government and party will be facing the difficult task of trying to put our philosophy to practice within the contraints imposed by our being a micro-state.

In conclusion, Y would like to mention that social-democrats have as one of their tasks the encouragement of our further regional economic integration, and in so doing, help us in trying to overcome the limitations of the micro-state. Together, we must strive for better economic contacts with Latin American and the Caribbean and in doing so develop our economies more fully, to the benefit of our populations.

THANK YOU